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ALEXANDRIA SEWAGE PROJECT

Water treatment plants &
Sewage purification
Htr fz
Loans, Amer.

Agreement Between the
UNITED STATES OF AMERICA
and EGYPT

Signed at Cairo September 29, 1977

NOTE BY THE DEPARTMENT OF STATE

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EGYPT

Alexandria Sewage Project

Agreement signed at Cairo September 29, 1977;
Entered into force September 29, 1977.

A.I.D. Loan Number 263-K-044

Project Number 263-0088

PROJECT

LOAN AGREEMENT

AMONG

THE ARAB REPUBLIC OF EGYPT,

THE UNITED STATES OF AMERICA,

THE MINISTRY OF HOUSING AND RECONSTRUCTION

AND

THE GENERAL ORGANIZATION FOR SEWERAGE AND SANITARY DRAINAGE

FOR

ALEXANDRIA SEWAGE PROJECT

Dated: September 29, 1977

TIAS 9465

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[1] Not printed herein. For text, see TIAS 9458; 30 UST.

A.I.D. Project No. 263-0088

Project Loan Agreement

Dated: September 29, 1977

Among

The Arab Republic of Egypt ("Borrower"), the Ministry for Housing and Reconstruction ("MOHR"), the General Organization for Sewerage and Sanitary Drainage ("GOSSD")

And

The United States of America, acting through the Agency for International Development ("A.I.D.").

Article 1: The Agreement:

The purpose of this Agreement is to set out the understandings of the Parties named above ("Parties") with respect to the undertaking by the Borrower of the Project described below, and with respect to the financing of the Project by the Parties.

Article 2: The Project.

SECTION 2.1. Definition of Project. The Project, which is further described in Annex 1, will consist of providing the equipment and materials for the rehabilitation of the existing wastewater system in Alexandria. The Project will include (1) the establishment of an improved collection and disposal system for solid wastes and toxic materials, together with the cleaning of existing sewers; (2) the repair and replacement of sewer lines now in disrepair; and (3) the extension of sewer service into the Ras El Soda area presently unsewered.

Within the limits of the above definition of the Project, elements of the amplified description stated in Annex 1 may be changed by written agreement of the authorized representatives of the Parties named in Section 9.3 without formal amendment of this Agreement.

Article 3: Financing.

SECTION 3.1. The Loan. To assist the Borrower to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended,[1] agrees to

[1] 75 Stat. 424; 22 U.S.C. § 2151 note.

lend the Borrower under the terms of this Agreement not to exceed Fifteen Million United States ("U.S.") Dollars ($15,000,000) ("Loan"). The aggregate amount of disbursements under the Loan is referred to as "Principal".

The Loan may be used only to finance foreign exchange costs, as defined in Section 7.1, of goods and services required for the Project.

SECTION 3.2. Borrower Resources for the Project. (a) The Borrower agrees to provide or cause to be provided for the Project all funds, in addition to the Loan, and all other resources required to carry out the Project effectively and in a timely manner.

(b) The resources provided by Borrower for the Project will be not less than Forty-Three Million Eight Hundred Fifty-Two Thousand Egyptian Pounds (L.E. 43,852,000), including costs borne on an "in-kind" basis.

SECTION 3.3. Project Assistance Completion Date.

(a) The "Project Assistance Completion Date" (PACD), which is September 30, 1981, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all services financed under the Loan will have been performed and all goods financed under the Loan will have been furnished for the Project as contemplated in this Agreement.

(b) Except as A.I.D. may otherwise agree in writing, A.I.D. will not issue or approve documentation which would authorize disbursement of the Loan (1) in response to requests received by A.I.D. after February 28, 1981, or (2) for services performed subsequent to the PACD or for goods furnished for the Project, as contemplated in this Agreement, subsequent to the PACD.

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, are to be received by A.I.D. or any bank described in Section 8.1 no later than five (5) months following the PACD, or such other period as A.I.D. agrees to in writing. After such period, A.I.D., giving notice in writing to the Borrower, may at any time or times reduce the amount of the Loan by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received before the expiration of said period.

Article 4: Loan Terms.

SECTION 4.1. Interest. The Borrower will pay to A.I.D. interest which will accrue at the rate of two percent (2%) per annum for ten (10) years following the date of the first disbursement hereunder and at the rate of three percent (3%) per annum thereafter on the outstanding balance of Principal and on any due and unpaid interest. Interest on the outstanding balance will accrue from the date (as defined in Section 8.3) of each respective disbursement, and will be payable semiannually. The first payment of interest will be due and payable no later than six (6) months after the first disbursement hereunder, on a date to be specified by A.I.D.

SECTION 4.2. Repayment. The Borrower will repay to A.I.D. the Principal within forty (40) years from the date of the first disbursement of the Loan in sixty-one (61) approximately equal semiannual installments of Principal and interest. The first installment of Principal will be payable nine and one-half (9-1/2) years after the date on which the first interest payment is due in accordance with Section 4.1. A.I.D. will provide the Borrower with an amortization schedule in accordance with this Section after the final disbursement under the Loan.

SECTION 4.3. Application, Currency, and Place of Payment. All payments of interest and Principal hereunder will be made in U.S. Dollars and will be applied first to the payment

of interest due and then to the repayment of Principal. Except as A.I.D. may otherwise specify in writing, payments will be made to the Controller, Office of Financial Management, Agency for International Development, Washington, D.C. 20523, U.S.A., and will be deemed made when received by the Office of Financial Management.

SECTION 4.4. Prepayment. Upon payment of all interest and any refunds then due, the Borrower may prepay, without penalty, all or any part of the Principal. Unless A.I.D. otherwise agrees in writing, any such prepayment will be applied to the installments of Principal in the inverse order of their maturity.

SECTION 4.5. Renegotiation of Terms. (a) The Borrower and A.I.D. agree to negotiate, at such time or times as either may request, an acceleration of the repayment of the Loan in the event that there is any significant and continuing improvement in the internal and external economic and financial position and prospects of the Arab Republic of Egypt, which enable the Borrower to repay the Loan on a shorter schedule.

(b) Any request by either Party to the other to so negotiate will be made pursuant to Section 9.2 and will give the name and address of the person or persons who will represent the requesting Party in such negotiations.

(c) Within thirty (30) days after delivery of a request to negotiate, the requested party will communicate to the other, pursuant to Section 9.2, the name and address of the person or persons who will represent the requested Party in such negotiations.

(d) The representatives of the Parties will meet to carry on negotiations no later than thirty (30) days after delivery of the requested Party's communication under Subsection (c). The negotiations will take place at a location mutually agreed upon by the representatives of the Parties, provided that, in the absence of mutual agreement, the negotiations will take place at the office of Borrower's Minister of Economy and Economic Development in the Arab Republic of Egypt.

SECTION 4.6. Termination on Full Payment. Upon payment in full of the Principal and any accrued interest, this Agreement and all obligations of the Borrower and A.I.D. under it will cease.

Article 5: Conditions Precedent to Disbursement.

SECTION 5.1. First Disbursement. Prior to the first disbursement under the Loan, or to the issuance by A.I.D. of

documentation pursuant to which disbursement will be made, the Borrower will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(a) An opinion of the Egyptian Minister of Justice, or other legal counsel satisfactory to A.I.D., that the Loan Agreement has been authorized and/or ratified by, and executed on behalf of, the Arab Republic of Egypt, and that it constitutes a valid and legally binding obligation in accordance with its terms;

(b) A statement of the names of the persons holding or acting in the offices of the Borrower specified in Section 9.3, and of any additional representatives, together with a specimen signature of each person specified in such statement;

(c) An executed contract for consulting engineering services for the Project with a firm acceptable to A.I.D.;

(d) Evidence that a full time Director and Deputy Director of GOSSD Alexandria have been appointed;

(e) Evidence that a Project Unit with adequate authority has been established in GOSSD Alexandria whose full time functions will be the monitoring and implementation of this Project; and

SECTION 5.2. Additional Disbursement.

(a) Disbursement for Sub-project for Solid Waste Collection and Disposal. Prior to disbursement under the Loan, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made for goods and services for the Sub-project, the Borrower will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(1) A detailed plan of a solid waste collection and disposal system for Alexandria, including the cost of such a system and its effect upon the environment;

(2) A detailed implementation plan for the total Project in either Critical Path Method or Project Evaluation Review Technique format; and

(3) Evidence that all Egyptian currency required for the first fiscal year in which funds will be required for the Sub-project, in an amount based on the estimate by the Consulting Engineer, and as approved by GOSSD, has been budgeted by the Borrower and is available for expenditure by GOSSD.

(b) Disbursement for Sub-project for Reconstruction and Rehabilitation of Existing Wastewater System. Prior to disbursement under the Loan, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made for goods and services for the Sub-project, the Borrower will,

except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(1) A detailed plan for the execution of the Sub-project, including a schedule, items and services to be procured and the proposed contracting procedures; and

(2) Evidence that all Egyptian currency required for the first fiscal year in which funds will be required for the Sub-project, in an amount based on the estimate of the Consulting Engineer, and as approved by GOSSD, has been budgeted by the Borrower and is available for expenditure by GOSSD.

(c) Disbursement for Sub-project for Extension of Service to the Ras El Soda area. Prior to disbursement under the Loan, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made for goods and services for the Sub-project, the Borrower will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(1) A detailed plan for the execution of the Sub-project including a schedule, goods and services to be procured and the proposed contracting procedure;

(2) A listing of the proposed beneficiaries of new sewage service including the costs to be borne by the beneficiaries; and

(3) Evidence that all Egyptian currency required for the first fiscal year in which funds will be required for the Sub-project, in an amount based on the estimate by the Consulting Engineer, and as approved by GOSSD, has been budgeted by the Borrower and is available for expenditure by GOSSD.

SECTION 5.3. Notification. When A.I.D. has determined that the conditions precedent specified in Sections 5.1 and 5.2 have been met, it will promptly notify the Borrower.

SECTION 5.4. Terminal Dates for Conditions Precedent.

(a) If all of the conditions specified in Section 5.1 have not been met within 120 days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by written notice to Borrower.

(b) If all of the conditions specified in Section 5.2 have not been met within 240 days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may cancel the then undisbursed balance of the Loan, to the extent not irrevocably committed to third Parties, and may terminate this Agreement by written notice to the Borrower. In the event of such termination, the Borrower will repay immediately the Principal then outstanding and any accrued interest; on receipt of such payments in full, this Agreement and all obligations of the Parties hereunder will terminate.

Article 6: Special Covenants.

SECTION 6.1. Project Evaluation. The Parties agree to establish an evaluation program as part of the Project. Except as the Parties otherwise agree in writing, the program will include, during the implementation of the Project and at one or more points thereafter: (a) evaluation of progress toward attainment of the objectives of the Project; (b) identification and evaluation of problem areas or constraints which may inhibit such attainment; (c) assessment of how such information may be used to help overcome such problems; and (d) evaluation, to the degree feasible, of the overall development impact of the Project.

SECTION 6.2. Training. Within one year from the date of this Agreement the Borrower shall prepare a comprehensive staff training program to be implemented in the next succeeding year.

SECTION 6.3. Fixed Assets. Within one year from the date of this Agreement the Borrower shall prepare an inventory of all GOSSD's plant and equipment located in Alexandria, which inventory will show the dates of acquisition, acquisition costs and current condition.

SECTION 6.4. Sewer Use Law. Within one year from the date of this Agreement, the Borrower shall develop a plan for the enforcement of the sewer use law, including a system of permits, inspections, tests, and legal procedures.

Article 7: Procurement Source.

SECTION 7.1. Foreign Exchange Costs. Disbursements pursuant to Section 8.1 will be used exclusively to finance the costs of goods and services required for the Project having their source and origin in the United States (Code 000 of the AID Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods or services) ("Foreign Exchange Costs"), except as A.I.D. may otherwise agree in writing, and except as provided in the Project Loan Standard Provisions Annex, Section C.1 (b) with respect to marine insurance.

Article 8: Disbursements.

SECTION 8.1. Disbursement for Foreign Exchange Costs.

(a) After satisfaction of conditions precedent, the Borrower may obtain disbursements of funds under the Loan for the Foreign Exchange Costs of goods or services required for the Project in accordance with the terms of this Agreement, by such of the following methods as may be mutually agreed upon:

(1) by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, (A) requests for reimbursement

for such goods or services, or (B) requests for A.I.D. to procure commodities or services on Borrower's behalf for the Project; or

(2) by requesting A.I.D. to issue Letters of Commitment for specified amounts (A) to one or more U.S. banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, under Letter of Credit or otherwise, for such goods or services, or (B) directly to one or more contractors or suppliers, committing A.I.D. to pay such contractors or suppliers for such goods or services.

(b) Banking charges incurred by Borrower in connection with Letters of Commitment and Letters of Credit will be financed under the Loan unless the Borrower instructs A.I.D. to the contrary. Such other charges as the Parties may agree to may also be financed under the Loan.

SECTION 8.2. Other Forms of Disbursement. Disbursements of the Loan may also be made through such other means as the Parties may agree to in writing.

SECTION 8.3. Date of Disbursement. Disbursements by A.I.D. will be deemed to occur on the date on which A.I.D. makes a disbursement to the Borrower or its designee, or to a bank, contractor or supplier pursuant to a Letter of Commitment, contract, or purchase order.

Article 9: Miscellaneous.

SECTION 9.1. Investment Guaranty Project Approval. Construction work to be financed under this Agreement is agreed to be a project approved by the Arab Republic of Egypt pursuant to the agreement between it and the United States of America on the subject of investment guaranties, and no further approval by the Arab Republic of Egypt will be required to permit the United States to issue investment guaranties under that agreement covering a contractor's investment in that Project.

SECTION 9.2. Communications. Any notice, request, document, or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such party at the following address:

To the Borrower:

General Organization for Sewerage and
Sanitary Drainage (GOSSD)
Mogaama Bldg.
Midan El Tahrir, 6th Floor
Cairo, Egypt

To AID:

A.I.D.
U.S. Embassy
Cairo, Egypt

SECTION 9.3. Representatives. For all purposes relevant to this Agreement, the Borrower will be represented by the individuals holding or acting in the offices of Minister of Economy and Economic Cooperation, Minister of Housing and Reconstruction, First Undersecretary of State for Economy and Economic Cooperation and Chairman COSSD, and A.I.D. will be represented by the individual holding or acting in the office of Director, U.S.A.I.D., each of whom, by written notice, may designate additional representatives for all purposes other than exercising the power under Section 2.1 to revise elements of the amplified description in Annex 1. The names of the representatives of the Borrower, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

SECTION 9.4. Standard Provisions Annex. A "Project Loan Standard Provisions Annex" (Annex 2)[1] is attached and forms part of this Agreement.

IN WITNESS WHEREOF, the Borrower and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

ARAB REPUBLIC OF EGYPT:

BY Mahmoud Saleh El-Din Hamed

NAME : Mahmoud Saleh El Din Hamed

TITLE: Minister of Finance and Acting Minister of Economy and Economic Cooperation

UNITED STATES OF AMERICA:

BY : H. Freeman Matthews, Jr.

NAME : H. Freeman Matthews, Jr.

TITLE: Charge d'Affaires a.i.

GENERAL ORGANIZATION FOR SEWERAGE AND SANITARY DRAINAGE:

BY : A. M. Ashmawy

NAME : A. M. Ashmawy

TITLE: Chairman

MINISTRY OF HOUSING AND RECONSTRUCTION

BY : H. M. Hassan

NAME : Hassan Mohamed Hassan

TITLE: Minister

[1] See footnote 1, p. 4.

Annex 1

PROJECT DESCRIPTION

The project provides for the rehabilitation of the existing wastewater system in Alexandria. The major elements of the project include (1) establishment of an improved collection and disposal system for solid wastes and toxic materials, together with the cleaning of existing sewers; (2) repair and replacement of sewer lines now in disrepair; and (3) extension of sewerage service into the Ras el Soda area which is presently unsewered.

Regarding the waste disposal system, the primary objective will be to assist the General Organization for Sewerage and Sanitary Drainage (GOSSD) to develop and implement a solid waste disposal system. The system will function in poorer neighborhoods where solid waste has little salvage value and in industrial areas where most waste has no salvage value. This portion of the project will provide for the system, collection, depots, vehicles for transporting solid waste and disposal facilities. Also included will be the cleaning of the existing wastewater system which is clogged due to improper disposal of solid waste.

The state of the existing system is poor; many pumps are inoperative and most do not work to design capacity. Sewers have collapsed and manhole covers are missing. The project will include the design and engineering necessary to correct the system as well as new equipment and construction services.

Many areas are not serviced by any system. Ras El Soda, the area selected for the equipping of service, is densely populated. This sub-project will consist of design and engineering, furnishing of equipment and the construction of street sewers, collection mains and force pumps in that area.

Attachment A to Annex 1

PROJECT FINANCIAL COSTS
(Source and Application of Funding - $ Thousands)

As of September , 1977

Project No. 263-0038

Project Inputs	Loan (US $)	Amount for a Fully Funded Project		
		Grant	Borrower/Grantee (L.E.)	US
Solid Waste Program	1,940		972	
Repair of Existing Syster	8,733		27,666	
Repair to Ras El Soda	3,463		11,227	
Sub-Total	14,136		39,865	
Extra Contingency	864		3,987	
Total Project Costs	15,000		43,852	

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